UTAH

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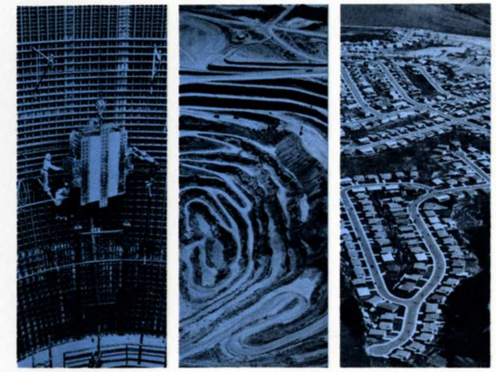
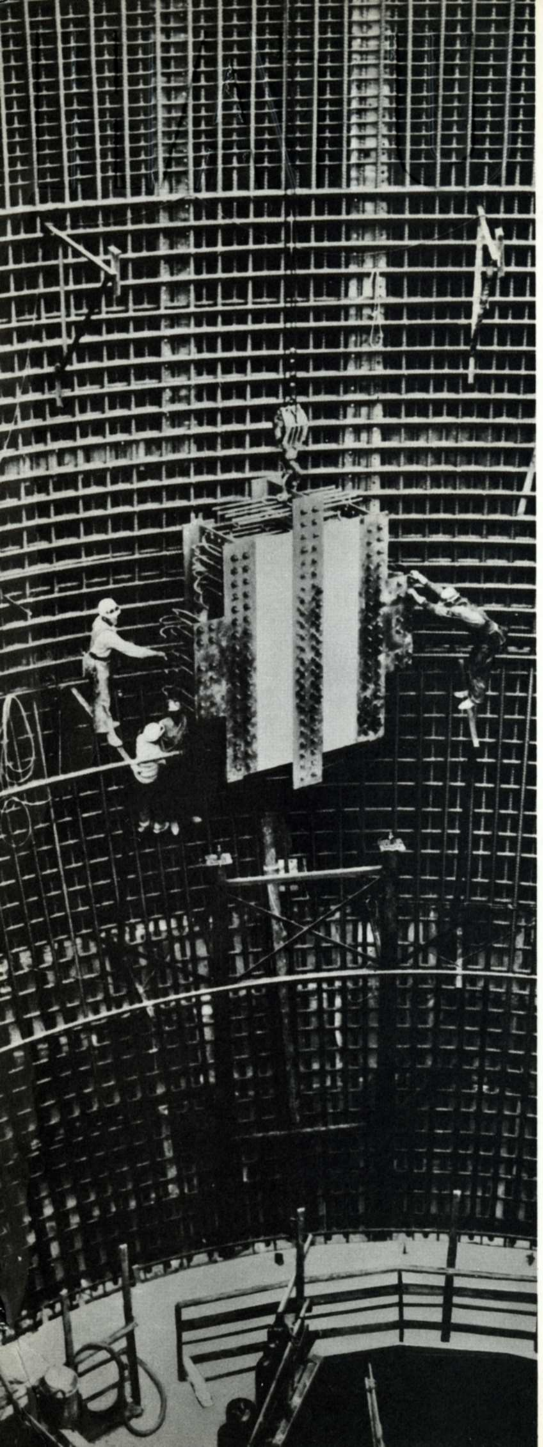


1964 ANNUAL REPORT

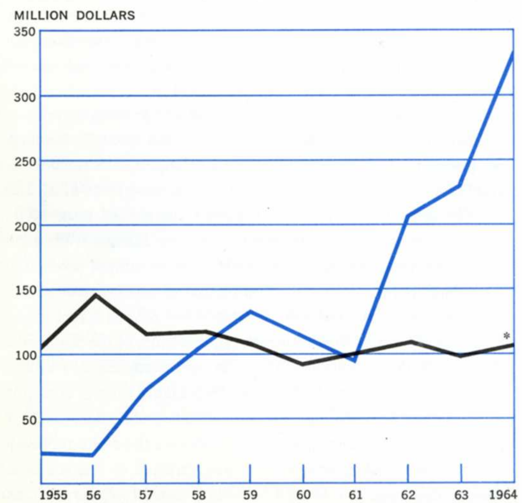
UTAH CONSTRUCTION & MINING CO.



	1964	*1963*
Net income after taxes	$ 7,291,962	$ 7,084,900
Depreciation and depletion	$ 6,060,582	$ 6,938,445
Earnings per share	$ 1.70	$ 1.65
Cash dividends per share	$ .95	$ .90
Stock dividend	—	100%
Book value per share	$ 16.20	$ 15.45
Net worth	$69,640,203	$66,479,882
Common shares outstanding (*Net of Treasury shares*)	4,300,239	4,302,034
Number of shareholders	3,675	3,343

Contract Backlog — *Construction* — *Mineral Sales*

Utah's backlog of mineral sales contracts has grown substantially during the last decade and is largely responsible for the Company's growth.



*Includes Cornwall project.

These photographs, of company projects in large scale Construction, Mining and Land Development activities, portray three fields of endeavor in which Utah Construction & Mining Co. maintains a wide range of operations.

TO OUR SHAREHOLDERS:

Your Company's fiscal year 1964 was marked by an improvement in the combined earnings of its operating divisions and affiliated companies in spite of the conclusion of the largest single contract loss it has yet sustained. Consolidated net income for the 1964 fiscal year was $7,291,962 or $1.70 a share, compared with $7,084,900 or $1.65 a share last year.

Dividends of $.20 quarterly and a year-end extra of $.15 were paid, amounting to $.95 a share, compared to $.90 in 1963. Consolidated net worth now totals $69,640,203, an increase of $3,160,321 from last year, and book value per share stands at $16.20. At year-end, working capital totaled $11,969,907.

In 1964 Utah recorded improved earnings in its land and mining operations. However, a major loss on the Round Butte Hydroelectric Project near Madras, Oregon, in addition to the loss sustained in 1963, reversed the results of an otherwise profitable year in construction. Adding to the loss on construction activities was an unpredictably tight labor situation in New Zealand which has seriously impeded progress at the Manapouri Tunnel Project and may have a costly effect on this work until completion.

The impact of these projects has been softened by the profits from a number of successful jobs. Among these were the NORAD underground command headquarters facility near Colorado Springs, Colorado; our dredging activities in California and Japan; and several hundred Minuteman missile launching sites installed by our joint venture in Wyoming. Utah's participating interest in the San Luis Unit of California's Central Valley Reclamation Project has also been rewarding. The highlight of the Company's overseas projects has been the success to date of the Island Bend stage of Australia's Snowy Mountain Scheme to divert the waters of the Snowy River under the mountains into the Murray River in southern New South Wales. We have recently added to our schedule of new work the Mt. Coffee Hydroelectric Project, a Liberian venture in which Utah is a major participant, and a major expansion of Marcona Mining Company's ore pelletizing facilities at San Nicolas, Peru.

California's growing population and mounting pressures for additional residential, commercial and industrial space continued to benefit our land program, and sales from the Company's inventory of real property made a substantial contribution to the year's earnings. In addition to the liquidation of a large parcel of Utah's Bay Farm Island near Alameda, and the Microwave facility in Palo Alto, sales were made at our industrial parks and residential and commercial land holdings. Utah's land operations have now been expanded to administer an extensive program to meet the needs of retired citizens. In a new senior citizens housing joint venture, we have acquired property, completed design, and started construction on two retirement communities in California and are initiating similar programs in other U.S. cities.

During 1964, the Company's mining operations continued to generate the major part of our earnings and promise to produce even greater profits in future years. The record pace of steelmaking, both at home and abroad, has been reflected in increased iron ore shipments from Utah's domestic properties and from the Peruvian mine of Utah's affiliate Marcona Mining Company. This has resulted in an earnings gain for our domestic operations at Cedar City, Utah, where we supply ore to U.S. Steel at Provo, Utah, and also in an increased tonnage mined under contract for Colorado Fuel and Iron Corporation. Over the past years the increased demand for iron ore by foreign steel producers has also given rise to the development of new sources of ore supplies, and thus to greater competition among the world's independent ore producers. Marcona, however, has enjoyed a continuing demand for its ore and beneficiated products from its new pelletizing and processing facilities. During the twelve months ended October 31, 1964, Marcona produced 5,279,000 tons of iron ore products which were transported to steelmakers in Japan, Europe and the United States by our sales and shipping affiliate, Cia. San Juan S.A. Pellet shipments comprised 12% of Marcona's total output, and the capacity of the present plant is largely committed under long-term sales contracts. Utah's share of Marcona's earnings, after distribution taxes, amounted to $1,555,910, a nominal gain over 1963.

The Company's $1,261,955 share of the consolidated earnings of Cia. San Juan S.A., for the fiscal year, after allowance for distribution taxes, from marketing and shipping operations was slightly lower than the prior year.

We hope that the Company's iron ore earnings will eventually be augmented by Utah's share of interests in Western Australia's Mount Goldsworthy deposit and another developed property near Dayton, Nevada. The installation of mining and transportation facilities at each of these sites awaits the outcome of sales negotiations which have been initiated with steel producers.

This year, the Company's contract to deliver uranium to the Atomic Energy Commission was formally modified to enable it to participate in the AEC's "stretch-out" program. The new agreement calls for a reduction of deliveries through 1966 and caused a slight decrease in this year's uranium earnings, but is advantageous in that it has assured Utah of substantially increased sales through 1970. At that future date, your Company will possess uranium reserves far in excess of the total amount utilized in its deliveries to the AEC and will own one of the country's most efficient, completely amortized processing mills.

Benefiting from increased production and strengthened copper prices, the earnings of Pima Mining Company increased 31%; and Utah's share, after provision for income taxes, was $702,233.

The importance of your company's steam coal mine at the leasehold on the Navajo Reservation in New Mexico was underscored this year, not only by an increase in its annual production requirements but also by the completion of independent studies which indicate that coal will play a primary role as a fuel source for the near-term additional power requirements of the Southwest. With its 1965 production schedule at approximately 2½ million tons, this mine is already the Country's eighth largest coal producer. However, our contract with Arizona Public Service Company calls for the commitment of only about a third of our Navajo coal reserves; and if other utilities are attracted to this source of energy, this operation should provide progressively larger earnings for Utah for many years into the future. Moreover, our experience to date at Navajo has given us good reason to be optimistic about the prospects for substantial coal reserves which the Company controls in Colorado and Utah.

The growing significance of mining to Utah is made apparent by the fact that the Company's volume of forward sales of minerals is now expanded to nearly three times the size of our existing backlog of construction contracts. Utah's backlog of earning power has thus grown in dependability, as well as size, since our long-term contracts for the delivery of coal and iron ore are covered by escalation clauses which provide some protection against costs beyond our control. Moreover, the composition of the stream of earnings from Utah's mining operations is also improving, because income from uranium sales contracts to the Atomic Energy Commission and iron ore to heavy industry is now augmented by longer term forward coal sales contracts to the public utility industry. We anticipate that the Company's relationship with the public utility industry will grow in relative importance not only through the expansion of steam coal sales, but also by the sales of uranium for nuclear power production in the years ahead.

To assure continued growth in the sources of Utah's mining earnings, Utah's mineral development and geology crews have been actively engaged in field investigations and the development of mineral deposits in the western United States, Alaska, Canada, Australia and other foreign countries.

Utah continues to be watchful for opportunities for growth in other areas where the Company's skills can be put to use in related activities or interests. In November, 1963, the Company acquired a 34% interest in Development and Resources Corporation, a New York firm providing consulting services on an international basis to assist nations with the development and utilization of their natural resources.

In October, 1964, the Company suffered the loss of one of its most respected directors and long-time employees, Mr. Lester S. Corey, who was associated with Utah for 63 years and was president of the Company from 1940 until his retirement in 1954. Mr. Corey was held in high esteem, not only by those of us privileged to be associated with him in the Company, but by his many friends throughout the construction industry. In his passing, the Company has lost a true friend and valued associate.

In December, 1963, Mr. William E. Chamberlain was elected a Vice President of the Company; he is Executive Assistant to the General Manager of the Company's Construction Division.

Looking ahead, we believe that the diversified operations which sustained the Company's earning power during 1964 augur well for its future. Not only are we working toward an expansion of our stream of earnings from mining, and a continuation of profitable operations from our real estate activities, but we also have every reason to anticipate an earnings improvement in construction. These programs, administered by an organization of experienced competent people, give us pride in our accomplishments to date, and optimism for the prospects of the new year.

Sincerely,

Marriner S. Eccles — E. W. Littlefield

CHAIRMAN OF THE BOARD — PRESIDENT AND GENERAL MANAGER

Marriner S. Eccles — *E. W. Littlefield*

The level of Utah's earnings during 1964 has demonstrated the inherent strength of its diversified operations, for this fiscal year has been profitable in spite of unfavorable results in construction.

Mining

Through its present interests in iron ore, uranium, copper and coal and an aggressive mineral development and exploration program, Utah Construction & Mining Co. derives a major part of its earnings from the extraction of minerals, and looks to the expansion of these programs for an even greater proportion of its future growth. During the relatively brief history of the Company's mining activities, earnings from this source have risen spectacularly and our mineral reserves and forward sales of minerals under long-term contracts have increased substantially. The present yield of these assets, combined with the prospects for the eventual production of coal from uncommitted reserves at the Company's Navajo Mine in New Mexico and other developed properties, gives us reason to be encouraged about the future.

Iron Ore

At the Iron Springs mine in Cedar City, Utah, this year's profits have benefited from an increase in demand for steel in the West. Moreover, the Company formally re-negotiated its contract with United States Steel to deliver iron ore to its Provo, Utah, plant under an arrangement which assures Utah a continuity of earnings from this source over the next eleven years. Contract operations

left: Strip-mining operations at Company's Cedar City, Utah, iron ore mine.
right: Processing iron ore at mobile alluvium processing plant, Cedar City.

for the Colorado Fuel & Iron Corporation were also extended for a period of five years.

The market for the iron ore products of Marcona Mining Company, owned 42¼% by Utah, has increased with the growth of steel production and the growing preference for beneficiated iron ore products. As the demand for beneficiated products has increased and the remaining reserves of direct shipping ore have decreased, Marcona has installed $50 million in new beneficiation facilities in order to develop its primary ore reserves. The current year's share of start-up costs and shutdowns for plant modifications reduced profits only slightly and Marcona's pelletizing plant is now operating at capacity. Not only is Marcona's entire pellet production substantially committed for six years, but design changes are already under way to increase output by 25%. While Marcona's future earnings are likely to be affected by competition from other independent ore producers, its modern processing plant, proximity to deepwater ports and low-cost ocean shipping should protect its position with foreign steel makers.

Ocean Shipping

San Juan Carriers, Ltd., a wholly-owned subsidiary of Utah's 42¼%-owned affiliate, Cia. San Juan S.A., has continued to sell its smaller, less efficient vessels and to add new ore-oil carriers to a fleet now comprising 7 carriers especially designed to meet the transportation requirements of Marcona. These ships, augmented by 108 charter vessels, moved 39 billion ton-miles of ore to the Peruvian iron ore producer's customers throughout the world during 1964. A new 60,000 ton vessel now being built

left: S.S. San Juan Prospector, shown passing through the Panama Canal on January 22, 1964, with 22 inches of clearance on each side, is the largest commercial vessel to ever pass through the Canal's 110-foot locks.
right: Loading operations at Marcona's dock, San Nicholas, Peru.

for delivery in 1966 will increase the shipping capacity to 435,000 deadweight tons. The ability of the newer ore-oil carriers to combine iron ore shipments with back-haul cargoes of crude oil has proven to be profitable. As Cia. San Juan's earnings may be further enhanced by increased demand for Marcona's products, it is anticipated that they will favorably reflect the world steelmakers' growth in production.

Utah owns interests in two other major iron ore deposits which should contribute to future earnings. One of them, located near Dayton, Nevada, is jointly owned by Utah and Cyprus Mines Corporation. It is likely to be a future source of beneficiated ore products for the West Coast steel industry or Japan. The other deposit, located in Western Australia, is jointly controlled by

left: Mining coal at Utah's Navajo Mine to fuel Arizona Public Service Company's mine-mouth generating plant (right) at Four Corners, New Mexico.

Utah, Cyprus Mines and Consolidated Gold Fields, Limited. Its location makes it relatively accessible to the Japanese market, and once long-term ore sales contracts are established, construction of mining and shipping facilities for the removal of these direct shipping ore reserves will begin.

Uranium

This year the Company formally concluded its "stretch-out" agreement for the deferral and extension of uranium oxide sales from the Gas Hills and Shirley Basin areas of Wyoming to the Atomic Energy Commission. The amended contract effectively spreads U_3O_8 deliveries, originally scheduled for four years through 1966, over a six-year period through 1968, and provides for the sale of additional concentrate through 1970. While the present annual rate of earnings from uranium has been reduced

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by the amendment, adversely affecting current earnings, Utah will benefit in total profits from a substantial increase in total forward sales. The additional years of production guaranteed by the new program provide a further benefit in that they reduce or eliminate the interval between the suspension of government uranium purchases in 1970 and the commencement of substantial nuclear fuel purchases by the electric utility industry.

Copper

Pima Mining Company, Utah's 25%-owned affiliate, produced 60,000,000 pounds of copper equivalent at its Arizona open pit mine and milling facilities during 1964. This represented a 45% increase over the prior year. With the completion of an expansion program in late 1963, the plant now has the capacity to mill in excess of 7,000 tons of copper ore per day, approximately twice the original daily rate of 3,600 tons. With the increased production and strengthening copper prices, Utah's share of Pima's earnings, after allowance for distribution taxes, was $702,233, compared to $537,888 in the preceding year.

Coal

During 1964 the third and largest generating unit of Arizona Public Service Co. became fully operational, and Utah is providing the utility company with coal from its Four Corners Navajo mine at an annual rate approximating 2.5 million tons per year. While the current rate of scheduled fuel deliveries to APS already ranks Navajo as the eighth largest coal mine in the country, the Four Corners reserves of some 600 million tons are sufficient for the production of power at six times the current rate for the remainder of the twentieth century.

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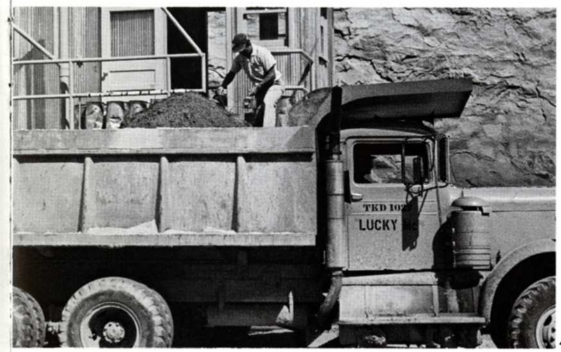
Photographs show several stages of ore processing at Utah's Lucky Mc uranium mine and mill operations in the Gas Hills District of Wyoming.
1. View of main pit area, Lucky Mc mine.
2. Self-loading scraper.
3. Dragline used for digging dewatering ditches.
4. Taking samples of truck load of ore to determine U_3O_8 content.
5. Ion exchange section, Lucky Mc mill.
6. Ten-millionth pound of uranium concentrate produced at the Lucky Mc mill, July, 1964.
7. Instrument panel for controlling automated milling operations.



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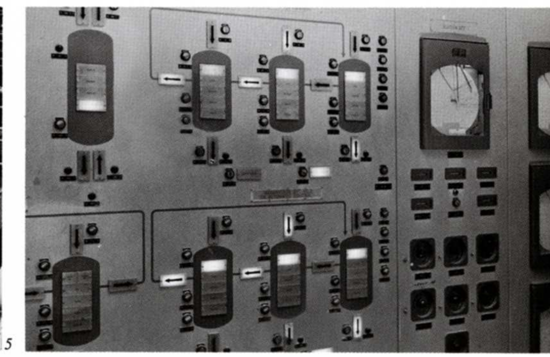

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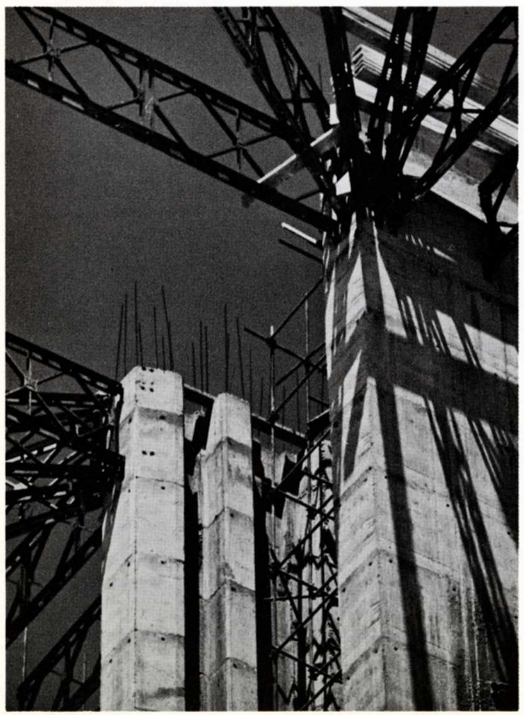
In the years before nuclear fuel may become the dominant source of energy, coal will satisfy a great portion of the energy requirements of the Southwest. To the extent that other utilities are attracted to Utah's deposits of steam coal in New Mexico, Colorado, and Utah, the Company hopes to see further improvements in these earnings for many years into the future.

Construction

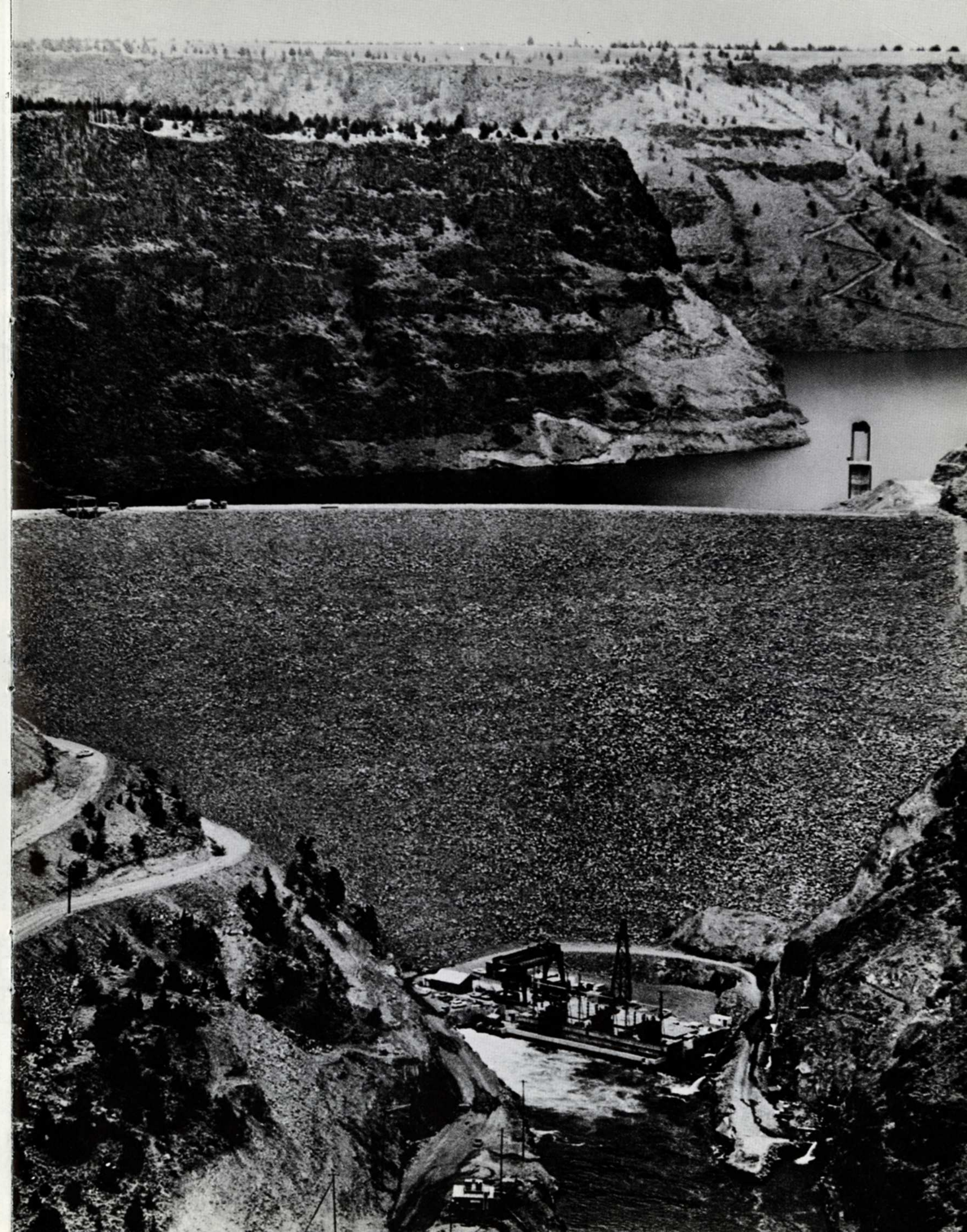
During the year, Utah's construction efforts, on its own projects and in participation with others, were divided almost evenly between domestic and overseas operations, and ranged from moderate sized industrial structures to large-scale hydroelectric projects and miltary complexes.

The NORAD subterranean defense center in Colorado was successfully completed last spring, following extensive change orders and unforeseen conditions which substantially prolonged the project. In participation with other companies, Utah engaged in defense work at Warren and Grand Forks Air Force bases, installing several hundred Minuteman missile launching facilities and a network of related launch control centers in Wyoming and North Dakota.

In California, the Company has a participating interest in the construction of the San Luis Dam and 22 miles of the San Luis Canal—two units of the State's Central Valley Project. It is also participating in a joint venture constructing the Wells Hydroelectric Project, a concrete dam, spillway, and ten-unit powerhouse near Wenatchee, Washington. With the exception of the now-completed Round Butte Hydroelectric Project for



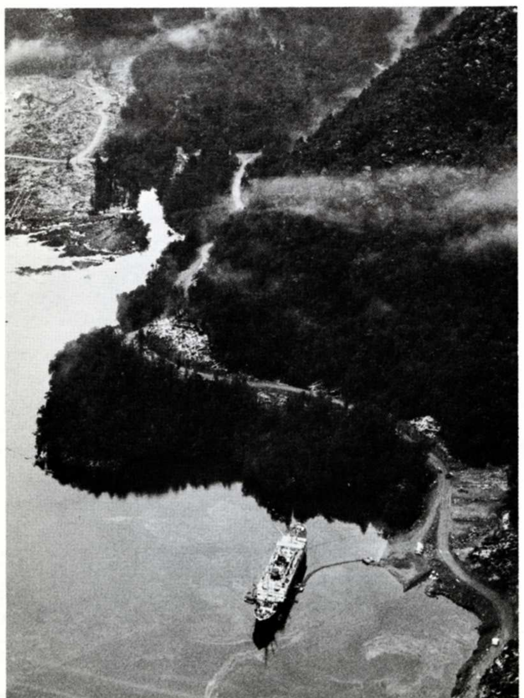
left: Bailey trusses used as cantilever supports for cabin formwork, Oued Nebaana Dam, Tunisia.
right: Face of Round Butte Dam, built by Utah for the Portland General Electric Company near Madras, Oregon.



the Portland General Electric Company in Oregon, the NORAD facility, and a number of finished missile launching silos, these projects will continue during the forthcoming year.

Approximately one-half of the Company's $84 million current construction backlog is within the continental United States with the remainder primarily in Australia, New Zealand, Liberia and Tunisia. In April, the Company was advised by Consolidated Edison Company of New York that its joint venture had been selected to construct the Cornwall Hydroelectric Pump-Storage facility to be located on the Hudson River near Cornwall. Authorization to proceed has been delayed by a series of hearings and will depend upon the issuance of a license by the Federal Power Commission. Total year-end construction backlog, including the Cornwall project, was $106 million, 8% higher than last year.

The Company is continuing with operations on several overseas projects: the Oued Nebaana Dam in Tunisia, the Manapouri Tailrace Tunnel project in New Zealand, and expansions to industrial facilities of the Southern Peru Copper Corporation at Ilo and Toquepala, Peru. Recently Utah has commenced work, as a partner, on the Mt. Coffee Hydroelectric Project in Liberia. Highlighted by the outstanding results to date at the Island Bend Project of Australia's Snowy Mountain Scheme, the Company's Australian operations are also engaged in the construction of an ocean breakwater near Burnie, Tasmania, and the grading and laying of railroad track in Australia's Avon Valley.



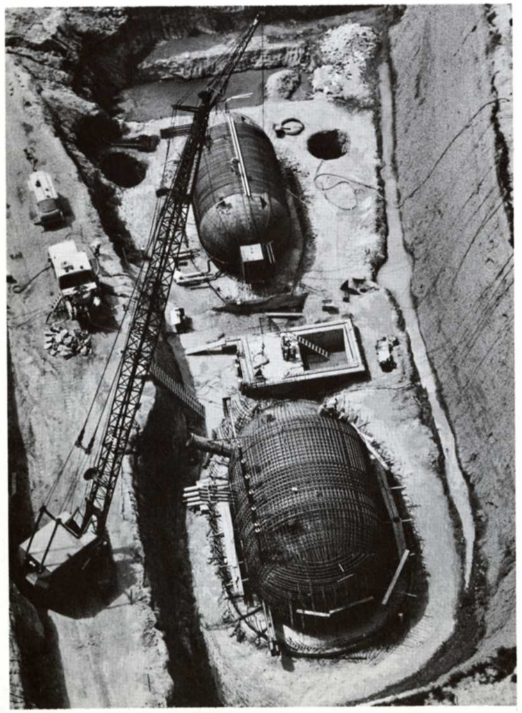
left: Utah's joint venture on the Manapouri tunnel project, located on the west coast of New Zealand's South Island, has leased the former ocean liner Wanganella for its on-site offices and to house the project's construction crews.
top: Building British Petroleum's tank farm site works at Cribpoint, Westernport Bay, Victoria, Australia.
center: Coffer Dam at Wells Hydro-combine Project on the Columbia River, Washington.
right: Sector of San Luis Canal, San Luis Unit of California's Central Valley Federal Reclamation Project.

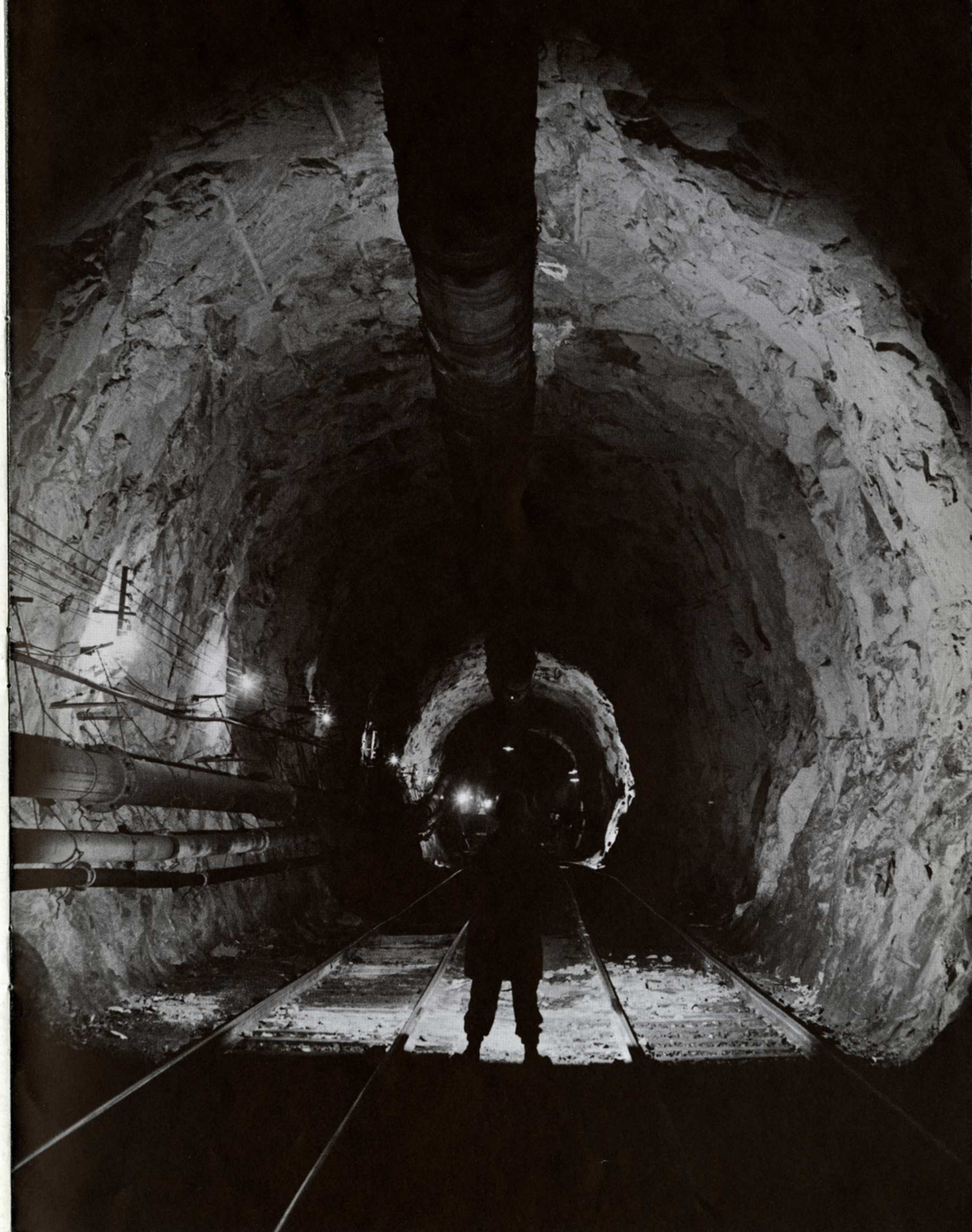
Our dredging activities were profitable again in 1964 and showed a satisfactory increase over the preceding year. While one of the Company's large dredges, the Alameda, is employed in Japan on a long-term lease to the Japanese Industrial Land Development Company, Utah has submitted bids on a number of projects along the West Coast in order to maintain a high level of employment for the other two dredges. The principal domestic dredging project this year was at the West Basin of the Los Angeles Harbor.

Land Development

Utah will continue to acquire, improve, and offer for sale an inventory of well located land and real property believed to have a good profit potential; but this year, most of Utah's land operations entailed sales from existing holdings—including Moraga, Bay Farm Island, and parcels from the El Segundo and South San Francisco Industrial Parks, the South Shore of Alameda and Torrance. The Company also sold its investment in the Microwave facility in the Stanford Industrial Park.

Activity at the 197-acre El Segundo Industrial Park near Los Angeles International Airport increased during 1964 with the sale of three completed facilities. Less than half the original acreage remains for sale. At the Company's 340-acre South San Francisco Industrial Park, several industrial sites were sold. Utah's experience to date at this property has been very satisfactory, but the competition from new industrial parks in the vicinity is already being felt and may retard the sale of the remaining 67 acres.



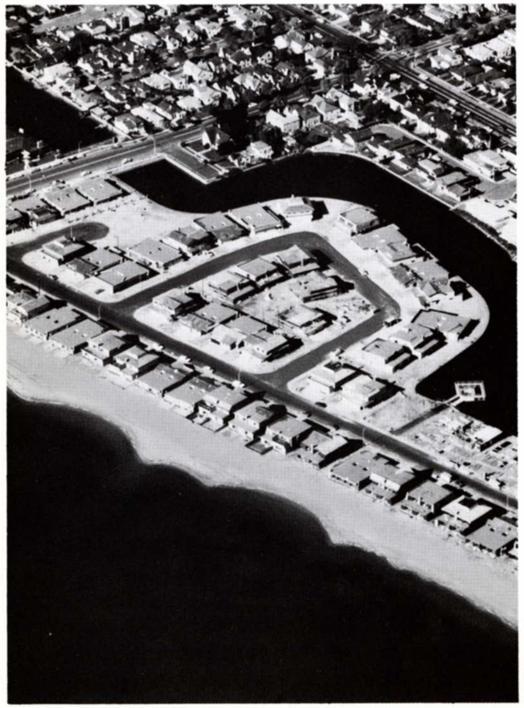


left: Installation of underground control center for minuteman missile launching facilities at Grand Forks Air Force Base, North Dakota.
right: Tunnel works at Australia's Snowy Mountain Scheme, Australia.

At the 400-acre Alameda South Shore Development, the Company has sold or optioned for sale virtually all of its inventory of lagoon lots, interior lots, and multiple-zoned residential and commercial land. Sales of the remaining land holdings should be completed in 1965, leaving the Company with its large Alameda shopping center as its sole remaining investment in that city. This complex of 50 retail stores and service shops and parking for over 3200 cars is known as South Shore Center. Its retail sales now total an annual rate in excess of twelve million dollars and are growing steadily.

Sale of residential property at the 218-acre Torrance property was maintained at a satisfactory level, leaving an unsold inventory of roughly one-fourth the original land. At Vandenberg Village the pace of home development has declined as a result of a leveling-off of military activity, and the Company's recent land sales there have been at a reduced rate. Surrounding the Pauma Valley Country Club, 1451 acres of residential land are being held for development. Planned as a residential-recreational facility, this community is located about midway between Los Angeles and San Diego, one of the nation's fastest growing regions. Utah's income was further increased by the sale of 150 acres of tidelands in its Bay Farm Island property near the City of Alameda and the Oakland Airport.

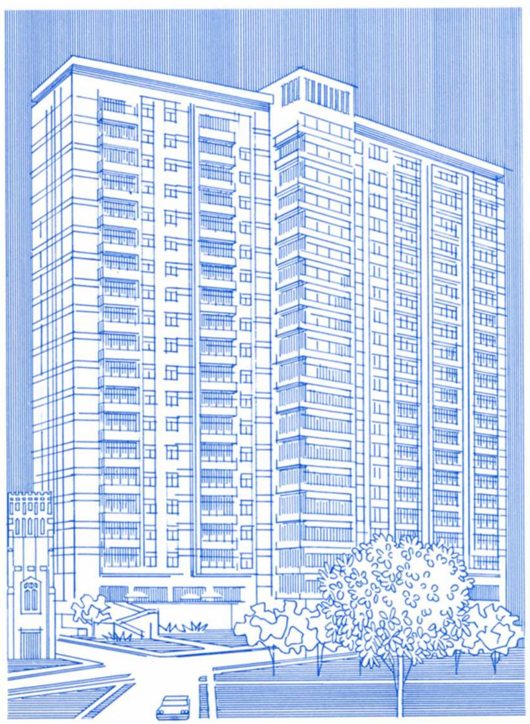
While these property liquidations have reduced the Company's holdings of salable real property, Utah still maintains a sizable portfolio of land investments and is actively investigating



left: Sandy beach, created by Utah, along shoreline of City of Alameda, is one of the few public recreation beaches on the San Francisco Bay.
right: Utah's South Shore Center is one of the City of Alameda's principal, modern shopping centers.

other real estate properties in California and elsewhere.

Notable among recent ventures has been the introduction of a large-scale residential program for senior citizens. Already, construction has been started on projects at Pacific Grove and Oakland, California, and sales negotiations and planning are being conducted in a number of other localities throughout the United States. Over the years, the Company's land operations have often been characterized by creativity, and we believe that the introduction of this widespread program to meet the growing requirements of the country's population of senior citizens will complement the quality of Utah's present operations.



left: Artist's sketch of St. Paul's Senior Citizens Residences on shore of Lake Merritt, City of Oakland. right: Utah's Moraga Ranch, showing orchard and typical development home built on former ranch land.

ARTHUR ANDERSEN & CO.

600 CALIFORNIA STREET
SAN FRANCISCO 8

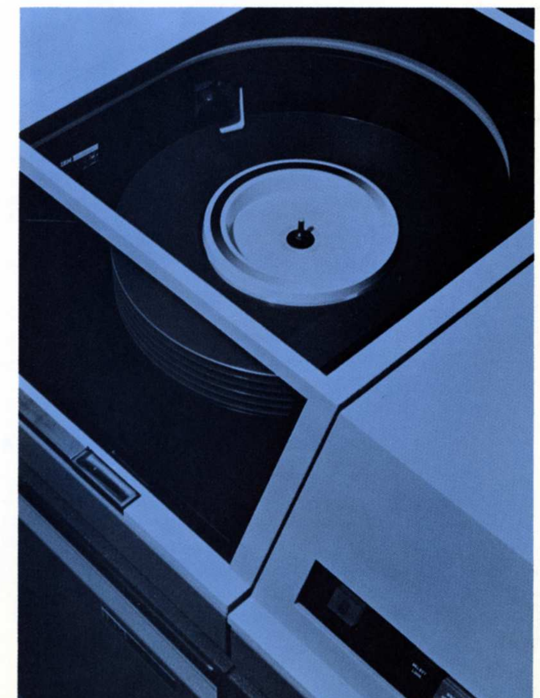
To the Board of Directors,
Utah Construction & Mining Co.:

We have examined the consolidated balance sheets of UTAH CONSTRUCTION & MINING CO. (a Delaware corporation) and subsidiaries as of October 31, 1964 and 1963, and the related statements of income and earned surplus for each of the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and statements of income and earned surplus present fairly the financial position of Utah Construction & Mining Co. and subsidiaries as of October 31, 1964 and 1963, and the results of their operations for each of the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the two years.

Arthur Andersen & Co.

San Francisco, California,
December 10, 1964.



left: View from cabin of Utah's dredge FRANCISCAN while working in Long Beach, California. right: Utah's new computer installation in San Francisco head office.

ASSETS

	1964	*1963*
CURRENT ASSETS:		
Cash	$ 1,738,823	$ 2,031,771
Certificates of deposit	158,093	619,250
Accounts and notes receivable from operations	17,174,531	17,191,415
Inventories, at the lower of cost or market—		
Mining	3,084,428	2,471,475
Construction	1,577,850	1,766,693
Prepaid expenses	2,137,630	2,235,083
Total current assets	$ 25,871,355	$ 26,315,687
INVESTMENTS:		
Affiliated companies (Note 1)	$ 33,693,280	$ 29,158,570
Equity in joint ventures	8,610,915	4,117,369
Land and real estate—		
Land held for development and sale, less purchase-money obligations (Note 2)	9,286,239	9,530,123
Land held for investment	2,043,190	3,105,184
Improved real estate held for investment, less accumulated depreciation of $2,066,970 in 1964 and $1,664,226 in 1963	12,298,034	12,701,412
	$ 65,931,658	$ 58,612,658
OTHER ASSETS:		
Long-term receivables	$ 2,909,583	$ 3,990,329
Other	1,971,400	1,411,510
	$ 4,880,983	$ 5,401,839
CONSTRUCTION AND MINING EQUIPMENT AND FACILITIES, at cost:		
Construction equipment and facilities	$ 16,866,230	$ 23,330,639
Mining lands, leases and development costs	8,962,587	9,230,827
Mining equipment and facilities	27,056,517	25,188,362
	$ 52,885,334	$ 57,749,828
Less—Accumulated depreciation and depletion	27,498,381	27,406,086
	$ 25,386,953	$ 30,343,742
	$122,070,949	$120,673,926

LIABILITIES AND CAPITAL

	1964	*1963*
CURRENT LIABILITIES:		
Bank loans, notes and contracts payable, and current portion of long-term liabilities	$ 5,008,102	$ 2,689,557
Accounts payable	4,821,576	6,035,493
Accrued liabilities	2,893,574	4,162,770
Accrued income taxes	1,178,196	736,977
Total current liabilities	$ 13,901,448	$ 13,624,797
LONG-TERM LIABILITIES:		
5¾% note payable to insurance company, due in varying installments from February 1, 1966 to 1981 (Note 3)	$ 20,000,000	$ 20,000,000
4¾% term loan payable to banks, maturing October 31, 1968	3,000,000	5,000,000
Bank loans, due on or before December 30, 1968, partially secured by improved real estate	2,000,000	1,050,000
Notes and contracts payable, due in various installments to 1979	2,694,460	4,170,186
Deferred income taxes	8,500,938	8,208,734
Reserves and other	2,333,900	2,140,327
	$ 38,529,298	$ 40,569,247
STOCKHOLDERS' INVESTMENT:		
Capital stock, par value $2 per share— Authorized—10,000,000 shares Issued—4,304,206 shares	$ 8,608,412	$ 8,608,412
Capital surplus	2,916,893	2,916,893
Earned surplus, including equity in undistributed earnings of affiliates (Notes 1 and 3)	58,217,167	55,010,571
Treasury stock, at cost, 3,967 shares in 1964 and 2,172 shares in 1963	(102,269)	(55,994)
	$ 69,640,203	$ 66,479,882
	$122,070,949	$120,673,926

The accompanying notes are an integral part of these balance sheets.

STATEMENT OF CONSOLIDATED INCOME *for the years ended October 31, 1964 and 1963*

	1964	*1963*
INCOME:		
Gross revenues from operations (Note 4)	$59,890,248	$77,755,638
Costs and expenses	50,569,194	70,887,378
Gross profit from operations	$ 9,321,054	$ 6,868,260
Equity in net income of—		
Affiliates (Note 1)	4,327,538	4,266,699
Joint ventures (proportionate share of gross revenue was approximately $42,000,000 for 1964 and $35,000,000 for 1963) (Note 4)	1,555,303	2,729,010
Gain (loss) on sale of property	157,347	610,153
Interest	404,802	520,024
Other income (expense)	(376,162)	(257,945)
	$15,389,882	$14,736,201
EXPENSES:		
General and administrative	$ 3,741,101	$ 3,867,913
Employees' retirement plan provision	604,000	385,000
Interest	2,152,819	2,321,388
	$ 6,497,920	$ 6,574,301
NET INCOME BEFORE INCOME TAXES	$ 8,891,962	$ 8,161,900
PROVISION FOR INCOME TAXES	1,600,000	1,077,000
NET INCOME	$ 7,291,962	$ 7,084,900

STATEMENT OF CONSOLIDATED EARNED SURPLUS *for the years ended October 31, 1964 and 1963*

	1964	*1963*
BALANCE BEGINNING OF YEAR	$55,010,571	$51,798,979
ADD—NET INCOME	7,291,962	7,084,900
	$62,302,533	$58,883,879
DEDUCT—CASH DIVIDENDS ($.95 per share in 1964 and $.90 per share in 1963)	4,085,366	3,873,308
BALANCE END OF YEAR, including equity in undistributed earnings of affiliates (Notes 1 and 3)	$58,217,167	$55,010,571

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1964

1. The consolidated financial statements include the accounts of Utah Construction & Mining Co. and all subsidiary companies, after elimination of significant intercompany items and transactions. In addition, the statements reflect Utah's equity in the net earnings of affiliated companies in which Utah does not have a majority interest. Estimated income taxes payable on such earnings when distributed have been provided in the accompanying financial statements.

The composition of Utah's investment in affiliated companies is shown below:

	1964	*1963*
Equity in undistributed earnings of affiliates—		
Included in earned surplus	$24,950,888	$21,833,596
Included in liability for deferred income taxes (payable upon distribution of earnings)	5,819,438	5,190,469
	$30,770,326	$27,024,065
Cost of investments	2,722,454	1,760,405
Noncurrent advances	200,500	374,100
	$33,693,280	$29,158,570

2. The company and its consolidated subsidiaries have entered into various agreements for the acquisition of land to be developed and sold. Among other things, these agreements generally provide that the related obligations will mature only as the company chooses to develop individual units or parcels. Further, such obligations, amounting to $5,246,243 at October 31, 1964, and $6,764,108 at October 31, 1963, are secured only by the related land and do not represent claims against other corporate assets.

3. The company's long-term loan agreements contain certain restrictive provisions, including a limitation on the payment of cash dividends and on the purchase or redemption of its outstanding capital stock. Consolidated earned surplus in the amount of $10,281,936 was free of such restriction at October 31, 1964.

4. Major construction contracts may extend over a period of years. Accordingly, the company reports income from its construction contracts on a percentage-of-completion basis. The company's share of income from joint venture construction contracts is reported in the same manner, based upon reports submitted by the respective joint ventures.

Proceeds from claims against owners, or price adjustments arising out of construction contracts, are recorded in the year such claims are resolved. No significant items of this nature were recorded in 1964 or 1963.

5. Contingent liabilities include the usual liability of contractors for performance and completion of both company and joint venture contracts. In addition, the company was contingently liable at October 31, 1964, for obligations of an affiliated company in the amount of $750,000 and for the guarantee of notes receivable of $415,000 sold to a bank. The company has entered into a long-term lease agreement for equipment requiring payments of approximately $420,000 annually for a remaining period of 9 years.

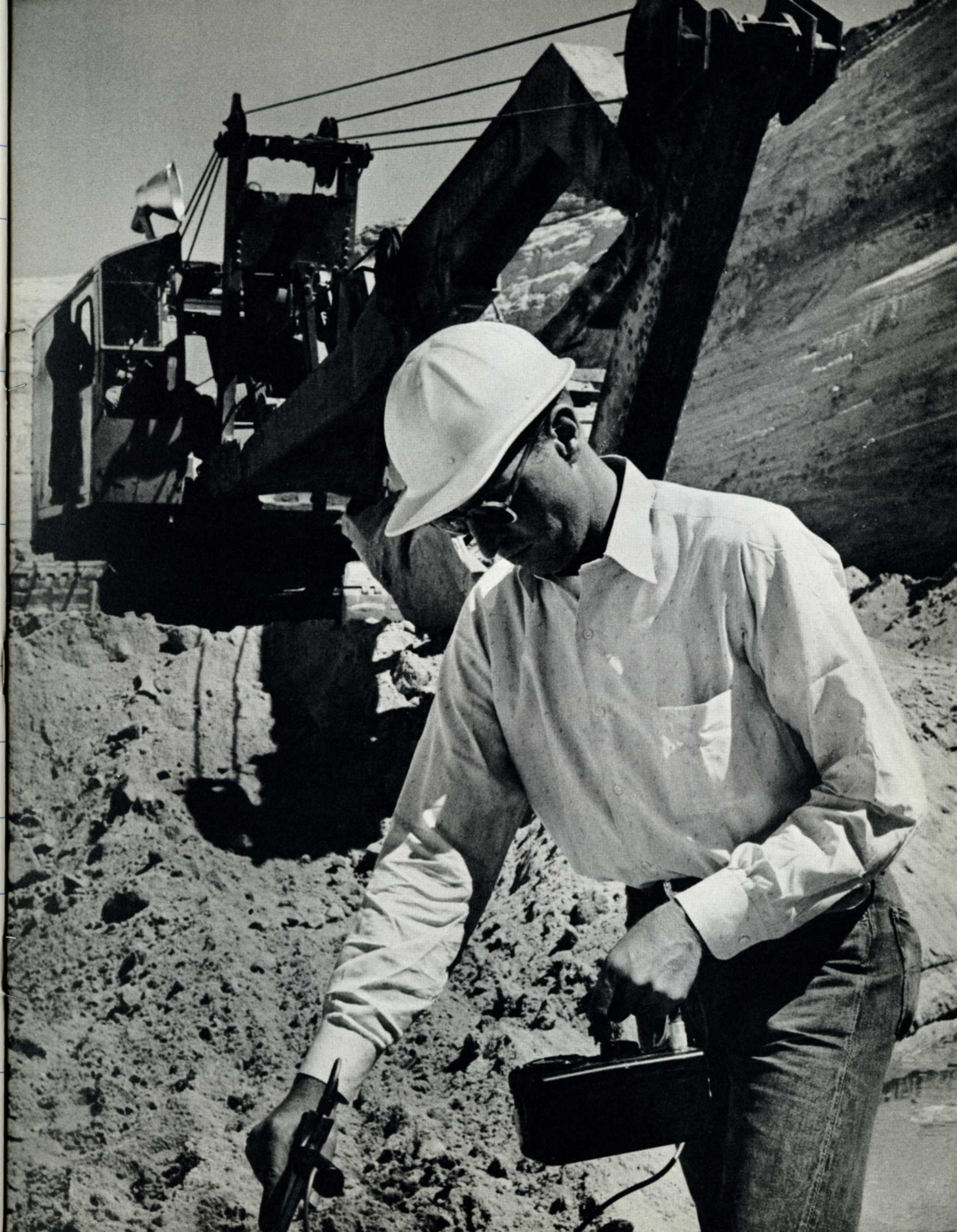
6. The accompanying statement of income includes provisions for depreciation and depletion of $6,060,582 in 1964 and $6,938,445 in 1963.

7. The company is defendant to certain pending litigation arising out of the 1960 merger with Lucky Mc Uranium Corporation. Management and counsel are of the opinion that the company's position is correct and sound, and the action is being vigorously defended. Accordingly, no provision for such litigation has been made in the accompanying financial statements.

 SIX YEAR COMPARISON (CONSOLIDATED) *years ended October 31*

	1964	*1963*	*1962*	*1961*	*1960*	*1959*
Net income:						
Before income taxes	$ 8,891,962	$ 8,161,900	$ 12,229,322	$ 13,167,151	$11,239,687	$10,722,137
After income taxes	$ 7,291,962	$ 7,084,900	$ 9,321,322	$ 9,774,151	$ 9,134,687	$ 8,362,137
Per share after income taxes*	$ 1.70	$ 1.65	$ 2.17	$ 2.27	$ 2.12	$ 1.94
Dividends paid:						
Cash	$ 4,085,366	$ 3,873,308	$ 3,753,307	$ 3,376,149	$ 2,496,702	$ 2,229,951
Capital stock	—	100%	2%	2%	2%	—
Per share*	$ .95	$ .90	$ .87½	$ .78	$ .58	$ .52
Common stock:						
Shares outstanding* *(Net of Treasury shares)*	4,300,239	4,302,034	2,152,103	2,110,647	2,069,883	2,029,858
Number of shareholders	3675	3343	2835	2633	2550	732
Total assets	$122,070,949	$120,673,926	$119,705,987	$105,828,510	$93,747,407	$92,345,928
Working capital	$ 11,969,907	$ 12,690,890	$ 13,910,223	$ 10,415,752	$ 9,942,549	$ 9,232,607
Long-term debt	$ 27,694,460	$ 30,220,186	$ 30,910,337	$ 27,548,238	$26,919,822	$30,439,561
Stockholder's investment:						
Book value	$ 69,640,203	$ 66,479,882	$ 63,324,284	$ 57,756,269	$51,358,267	$44,748,041
Book value per share*	$ 16.20	$ 15.45	$ 14.71	$ 13.42	$ 11.93	$ 10.40
Net increase in book value	$ 3,160,321	$ 3,155,598	$ 5,568,015	$ 6,398,002	$ 6,610,226	$ 6,411,686
Net increase in book value per share*	$ .75	$ .74	$ 1.29	$ 1.49	$ 1.53	$ 1.49

*Shares outstanding in 1959 have been adjusted to give effect to 242,533 shares issued on February 1, 1960, as a consequence of merger with Lucky Mc Uranium Corporation. Per share amounts for all years have been calculated based upon shares outstanding on October 31, 1964, giving effect to the stock dividends of 2% paid in 1960, 1961, and 1962 and 100% in 1963.



BOARD OF DIRECTORS

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MARRINER A. BROWNING

LAWRENCE T. DEE

GEORGE S. ECCLES

WILLIAM R. KIMBALL, JR.

EDMUND W. LITTLEFIELD

SHEPARD MITCHELL

ALBERT L. REEVES

PAUL L. WATTIS

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MARRINER S. ECCLES, *Chairman*

EDMUND W. LITTLEFIELD

ALBERT L. REEVES

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Senior Vice President and Secretary

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Senior Vice President

CHARLES E. McGRAW
Senior Vice President

ALEXANDER M. WILSON
Senior Vice President

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Vice President

GUY V. SPERRY
Vice President

GEORGE P. SEALY
Assistant Treasurer

WILSON D. LEONARD
Controller

TRANSFER AGENTS

First Security Bank of Utah, N.A.,
Salt Lake City, Utah

Crocker-Citizens National Bank,
San Francisco, California

Checking ore with geiger counter for uranium content at Lucky Mc mine, Wyoming.

ANNUAL MEETING

Wednesday, January 20, 1965, 2 P.M.
at Salt Lake City, Utah

Utah Construction & Mining Co.,
Home Office: 550 California Street,
San Francisco, California, U.S.A.